Consolidation Has Decreased Number of Independently-Owned Gas Stations on Long Island Offering Less-Expensive Fuel

Smithtown, NY— Today, U.S. Congressman Steve Israel (D-NY) joined independent gasoline retailers to announce new federal legislation that will protect consumers from high gas prices that may be caused by consolidation in the industry. Israel's legislation will require the Comptroller General to investigate the impact of consolidation of gasoline wholesalers on prices at the pump.

"In the past six years, Americans have seen their gas prices more than double, their home heating oil costs triple and oil company profits quadruple," said Congressman Israel, a Member of the House Appropriations Subcommittee on Energy and Water. "Now, a few big oil corporations are earning unprecedented profits, consolidating operations and buying up privately owned stations that often offer lower gas prices. We have heard many reasons for high gas prices, including the cost of crude oil, limited refining capacity, increasing demand and low oil reserves. However, we need to have a better understanding of the risks inherent in having a limited number of large corporations control fuel flow and pricing from its entry into the market, through the refining process, to individual gas stations and ultimately into your vehicle. We need to ensure a fair market is being maintained, that gas prices aren't being unfairly inflated and that corporations aren't unjustly pushing the locally owned, community gas stations out of business."

The consolidation of wholesale oil importers and refiners with retail distribution outlets is having a considerable impact on gas pricing, as well as on the ability of small business owners of local gas stations to stay in business. A May 2007 study by the United States Government Accountability Office (GAO) found that petroleum industry consolidation plays a significant role in determining gasoline prices. The study found that mergers impact many aspects of competition, contributing to "vertical integration" (when one company controls multiple segments of the production and sales process) and other barriers to entry.

The GAO study reviewed the over 2,600 mergers in the petroleum industry that took place in the 1990s and performed econometric modeling on eight of these mergers. GAO found that this increase concentration in refining and marketing segments resulted in higher wholesale gasoline prices—between 1 and 7 cents per gallon. Consolidation in the petroleum industry in the 21st century has not been investigated, with the last study occurring before President Bush took office. Israel's amendment would require an investigation by the Comptroller General on the direct correlation between consolidation and gas prices.

Consolidation has decreased the number of independently owned gas stations on Long Island. Independent gasoline and diesel fuel marketers have long been recognized as the most cost- and price-competitive segment of the motor fuels marketing industry.

"On behalf of the Long Island Gas Retailers Association, I would like to thank Congressman Steve Israel for responding to the very difficult situation facing owners of gasoline service stations and the consumers who are purchasing gasoline at such high prices," noted Kevin Beyer, President of the Long Island Gas Retailers Association and owner of the Two Jay's/Performance Fuels station in Smithtown.

Israel successfully passed this legislation in the previous Congress as an amendment to the House-passed Energy Policy Act of 2005, but the legislation was not included in the final version of the bill signed by President Bush. In 2005, his amendment, which passed on the House floor by an overwhelming margin of 302-128, required the Comptroller General to investigate the impact of consolidation of wholesalers on gas prices.